

Message Text

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ACTION NEA-09

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TO SECSTATE WASHDC 3208

INFO AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

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USINT BAGHDAD

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E.O. 11652: ADS DECON 12/31/75

TAGS: ETRD, PFOR, SA, LE

SUBJECT: LEBANON-SAUDI ECONOMIC PACT EXPIRES

REF: BEIRUT A-341 NOV. 19, 1971 REPEAT 1971

BEGIN UNCLASSIFIED 1. LEBANON'S ECONOMIC AGREEMENT WITH ITS BEST CUSTOMER, SAUDI ARABIA, EXPIRED WITHOUT RENEWAL FEBRUARY 26, PROMPTING GOL CONCERN OVER STATE OF LEBANESE-SAUDI RELATIONS. IT NOT PUBLICLY CONFIRMED, BUT SAUDI FAILURE OR REFUSAL RENEW PACT ATTRIBUTED TO DISPLEASURE OVER ANTI-SAUDI CAMPAIGN BY ELEMENTS BEIRUT PRESS.

2. EXACT CONTENTS OLD AGREEMENT UNKNOWN, BUT IT SAID TO HAVE ENTITLED LEBANESE EXPORTS TO 66 PER CENT REDUCTION IN SAUDI CUSTOMS DUTIES WHILE WITHOUT AGREE-
MENT EXPORTS ENTITLED ONLY TO STANDARD ARAB LEAGUE REDUCTION OF 25 PER CENT. (NO CONFIRMATION YET THAT HIGHER DUTIES ACTUALLY BEING IMPOSED NOW.) IT ALSO THOUGHT TO FACILITATE LARGE TRANSIT TRADE, SAUDI
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TOURISM, LEBANESE WORKERS IN SAUDI ARABIA AND JOINT

DEVELOPMENT PROJECTS (REPAIR).

3. WE RECALL THAT ON AUGUST 1, 1969, PREVIOUS
ECONOMIC AGREEMENT EXPIRED WITHOUT RENEWAL DUE SAUDI
DISPLEASURE WITH LEBANESE HESITATION OVER PROPOSED JOINT
"THIRD REFINERY" HERE. (LATELY IT SAUDIS WHO HESITANT
ABOUT THIS PROJECT.) NEW AGREEMENT NOT
SIGNED UNTIL DECEMBER 17, 1971 AND RATIFIED FEBRUARY 26,
1972. IN INTERIM, LEBANESE EXPORTS TO SAUDI ARABIA
FELL 10-15 PER CENT. IT NOT YET CLEAR WHAT REAL EFFECT
NON-RENEWAL MIGHT HAVE. SAUDIS IN 1973 TOOK 13 PER
CENT LEBANESE EXPORTS, DOWN FROM 20 PER CENT 1970.
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BEGIN LIMITED OFFICIAL USE 4. THIS FIRST SUCH SPAT AFTER
18 MONTHS OF AMIABLE AREA RELATIONS AND EXPORT GROWTH
FOR LEBANON. LAST WERE 1973 SYRIAN BORDER CLOSURE AND
LARGELY RHETORICAL BOYCOTT BY IRAQ. DOES NOT AUGER WELL
FOR DISCOUNT OIL SUPPLIES FROM SAUDIS. MOREOVER, AN ADVERSE EFFECT
ON PROSPECTIVE FOREIGN INVESTMENT IN LEBANON MIGHT POSSIBLY
DEVELOP IF THE RUPTURE CONTINUES OVER AN EXTENDED PERIOD OF TIME.
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HOUGHTON

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